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SEPTEMBER 21, 1987

Telephony

INTEGRATING VOICE AND DATA COMMUNICATIONS

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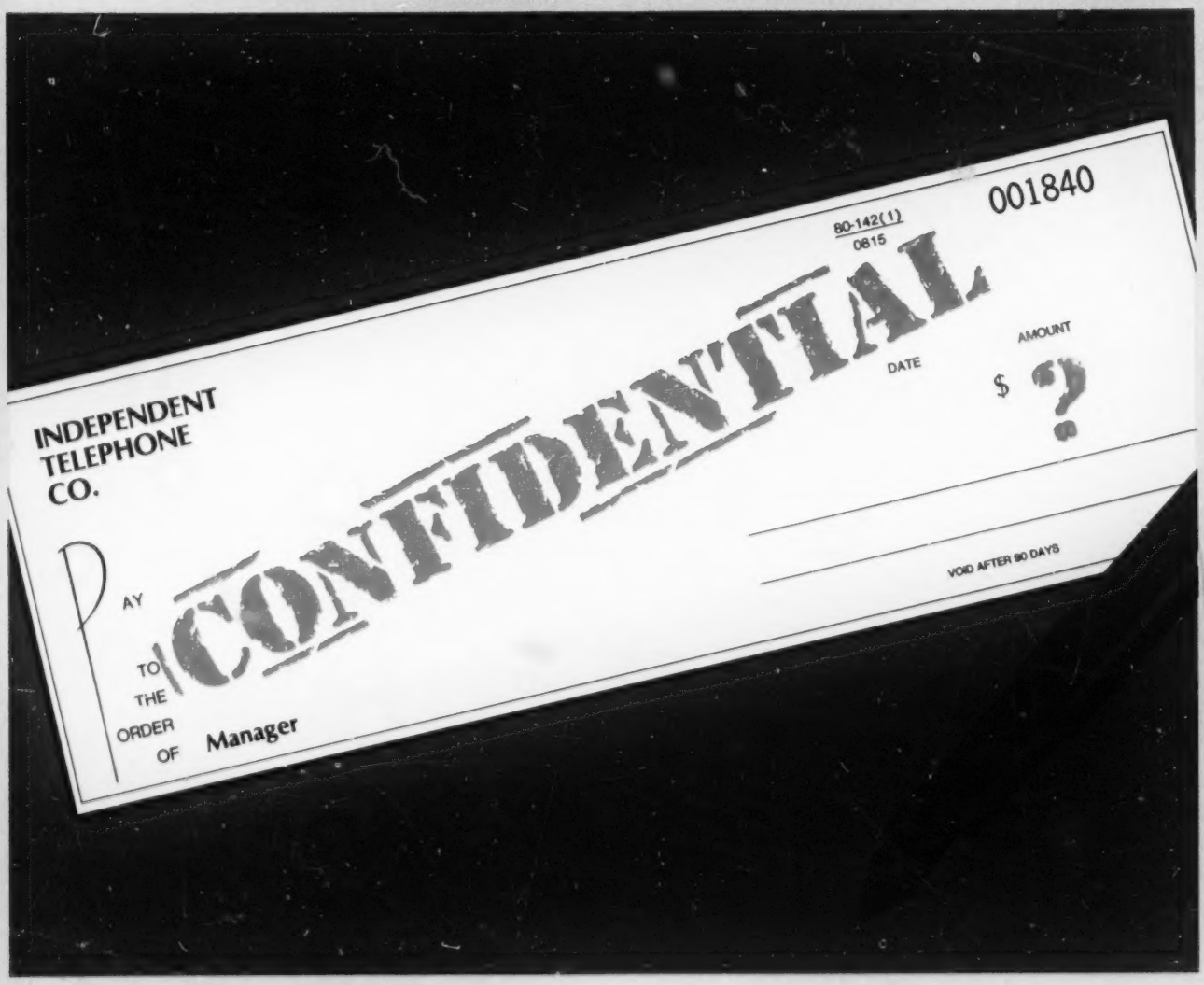

SALARY SURVEY OF INDEPENDENT MANAGERS

Independent telcos handsomely reward their corporate achievers, survey reveals

INDUSTRY SPLIT ON GREENE RULING

The information services industry is still uncertain of the ruling's impact

NO. TELECOM NETWORK GOES CORPORATE

DMS SuperNode technology will be applied to private networks

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SEPTEMBER 21, 1987 Volume 213, No. 12

Telephony

INTEGRATING VOICE AND DATA COMMUNICATIONS

Telephony's *salary survey of Independent managers takes the pulse of the Independent industry and shows clearly where the money is. Cover design by Michael Sonnenfeld*

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Independent Managers Report Big Salaries

Several factors determine who earns what kind of salaries, including seniority and education, but excluding company location. Sex is not a factor, perhaps because there are so few women managers

CZATDANA INAN, MARKET RESEARCH DIRECTOR, AND LARRY LANNON, EDITOR

MAYBE MONEY motivates you. Maybe you are not employed by an Independent local exchange carrier. You may want to get your resume ready.

If you are employed by an Independent, pay attention. You are going to find this story interesting.

The story is based on information provided by Independent managers of all types. According to these sources, the Independent industry pays highly competitive management salaries, even at relatively junior levels. Senior managers frequently make excellent salaries, often in excess of $80,000 per year.

Salaries within the Independent industry fluctuate within a broad range. But even at the smaller companies, top managers bring home the bacon.

The presidents of small Independents, who frequently must wear several managerial hats, are paid well for their versatility. More than half, 58% to be precise, report they enjoy salaries of more than $60,000 per year. At the top end, 15% of small-telco presidents earn annual salaries of more than $95,000 and 5% earn annual salaries of more than $155,000 per year.

All the information in this story is based on the results of an exclusive salary survey of the Independent industry conducted this summer by *Telephony's* Market Research Department. For a review of the methodology employed, see the sidebar at right.

The survey provides an authoritative look at one of the most sensitive areas in the telecommunications industry: management salaries. It also unearths a wealth of information about the structure of Independent management.

Behind the Scenes

In the survey, *Telephony* distinguishes between larger and smaller Independents. The study goes into great detail on the management strata of the large, or Top 18, Independents. The focus is on the top of the management charts for the smaller Independents, mainly because they generally do not have complex management structures.

Table 1 on page 35 looks at the management structure, salaries, age and educational achievements of the Top 18 Independents.

Table 2 on page 39 looks at the salaries, age and educational achievements of the presidents of the smaller Independents.

Figure 1 on page 34 breaks down the data on the larger Independents by gender, age and educational achievements to provide a quick snapshot of the underlying strengths and characteristics of Top 18 managers. Figure 2 on page 38 performs the same function for the presidents of the smaller Independents.

Compare and Contrast

Comparing the two segments of the industry is instructive. Managers at

Methodology

THE survey is based on a nationwide random selection of 1000 independent industry managers.

To account for the weight of the 18 largest Independents, the sample was split into two segments: 800 managers at the operating companies of the 18 largest Independents and 200 presidents of smaller operating companies not affiliated with the 18 largest Independents.

Titles at the Top 18 companies were broken into nine groups: assistant manager, manager, staff manager, district manager, division manager, region/state manager, assistant vice president (including directors), vice president and president.

Identical questionnaires were mailed to each sample on June 24, 1987. As of July 31, 1987, 304, or 38%, of the 18 largest Independent recipients had responded, as had 67, or 34%, of the presidents of the smaller Independents.

The return reflected the original sample, both in terms of management levels and region. Of the 18 largest Independents—which dominate the Midwest—52% of the participants are in the Midwest, 12% in the Northwest, 14% in the West and 19% in the Southeast. A full 3% did not identify their locale. Of the small Independents, which dominate in the Midwest and West, 36% are in the Midwest, 33% in the West, 12% in the Southeast and 19% in the Northeast. □

the large Independents are fairly young, well-educated and most often male. Small Independent presidents are not as young but they also are well-educated. Surprisingly, though an overwhelming majority of small Independent presidents also are male, they are no more so than all managers, not just top executives, of the Top 18 Independents.

When it is recalled that many if not most small Independents are family-owned and -operated businesses in rural areas, the gender breakdown reflects the Independents' reliance on men for management talent.

Is the industry hurting itself by relying too much on men for management talent? Perhaps the intensification of competition in the next several years will provide an answer.

But the real strength of the *Telephony* survey is the hard look it takes into management's wallet (or purse). Take-home pay, the key economic unit, is healthy.

Not too surprisingly, the further up the ladder a manager rises, the better the pay becomes. The survey makes it clear that seniority alone does not carry a manager to the top. Nor does a company's location affect salary.

View From the Heights

Executives who rise to the top of the large-company segment of the Independent industry are well-paid. But one group of top executives reports annual salaries significantly below the norm for large Independents.

A robust 73% of Top 18 presidents report earning annual salaries in excess of $80,000 per year. Many presidents of Top 18 Independents can look forward eventually to carrying home even heavier paychecks since 36% enjoy annual salaries of more than $140,000.

However, 27% of the Top 18 presidents report earning annual salaries between $45,000 and $65,000 per year. Since the next salary category, which also happens to contain the largest group, is $95,000 to $110,000 per year, the presidents earning substantially less seem to be either underpaid or altruistic.

Presidents of Top 18 Independents tend to be over 45 years old and well-educated.

At the other end of the spectrum, Top 18 assistant managers usually earn less than $45,000 per year,

FIGURE 1 TOP 18 INDEPENDENTS (304 RESPONDENTS)

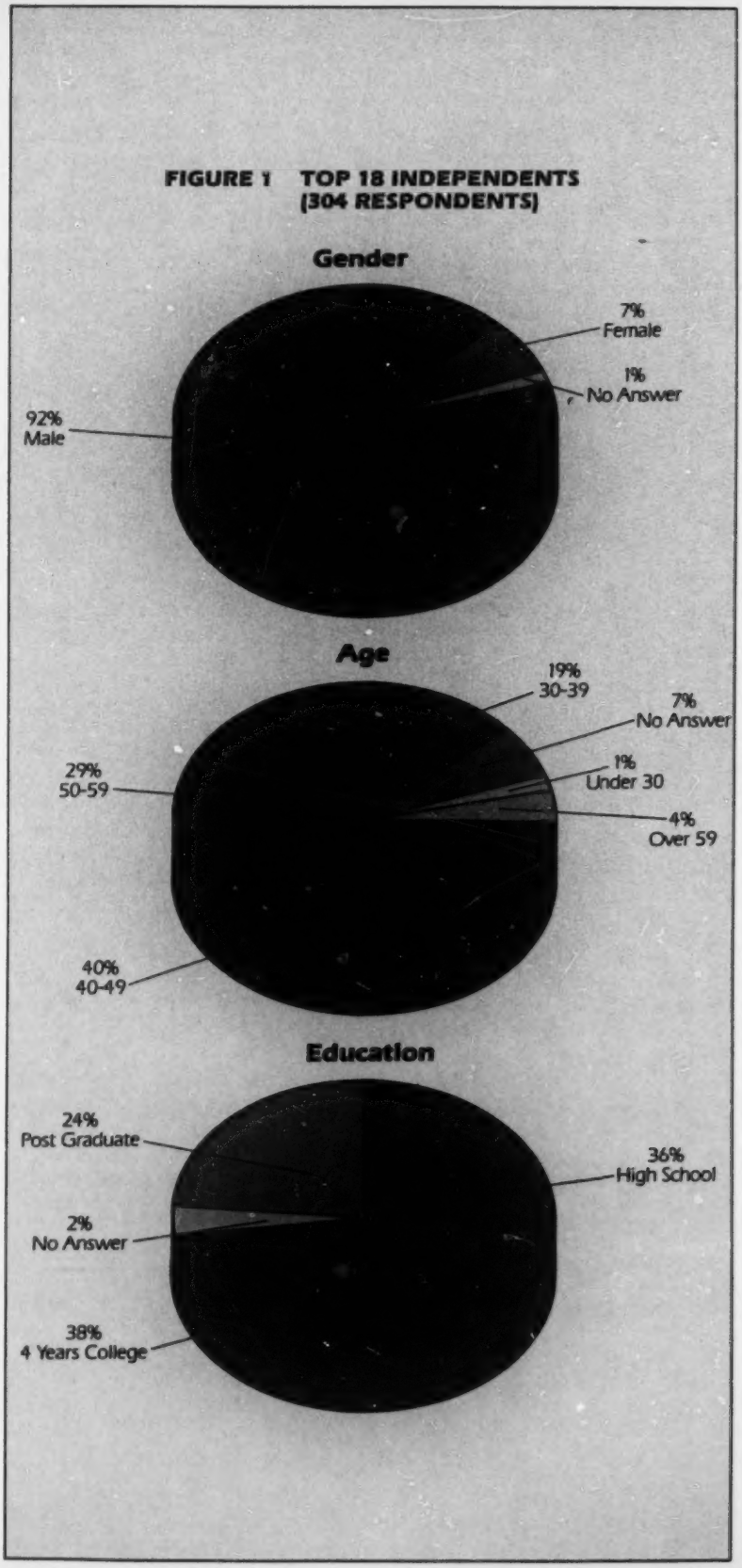

TABLE 1 TOP 18 INDEPENDENTS: MANAGEMENT LEVELS VS. AGE, EDUCATION AND SALARIES

% Total Sample (Base: 304)		Salary Distribution									Age in % Level	Median Age	Education			
		-$45K	+$45K	+$60K	+$80K	+$95K	+$110K	+$125K	+$140K	+$155K			High School	College	Post Grad	No Ans.
4%	Asst. Managers															
	45 or less	64%	27%								91%	39	36%	36%	19%	
	Over 45	9%									9%	51	9%			
	No age given										0%					
38%	Managers															
	45 or less	19%	26%	8%							53%	39	17%	18%	17%	1%
	Over 45	11%	26%	4%							41%	53	26%	11%	2%	2%
	No age given	3%	2%	1%							6%		3%	1%	1%	1%
4%	Staff Managers															
	45 or less	14%	22%								36%	41		29%	7%	
	Over 45		21%	29%							50%	50	8%	21%	21%	
	No age given		7%	7%							14%		7%	7%		
4%	District Managers															
	45 or less	7%	36%	7%							50%	37	7%	43%		
	Over 45	29%	14%	7%							50%	52	22%	14%	7%	7%
	No age given										0%					
3%	Division Managers															
	45 or less	37%		13%							50%	38	13%	24%	13%	
	Over 45	13%		24%	13%						50%	48	38%	12%		
	No age given										0%					
8%	Region/State Mgrs.															
	45 or less	4%	12%	16%	4%						36%	39	12%	24%		
	Over 45	20%	20%	8%	4%						52%	52	28%	20%		4%
	No age given	4%	4%		4%						12%			12%		
23%	Director, AVP															
	45 or less		7%	18%	7%						32%	40	3%	16%	13%	
	Over 45		13%	31%	13%	1%	1%				59%	52	16%	26%	17%	
	No age given		3%	6%							9%		3%	3%	3%	
12%	Vice President															
	45 or less	8%	6%	6%	13%	3%	11%			3%	50%	41	8%	11%	31%	
	Over 45		3%	10%	6%	8%	8%	3%	3%	6%	47%	52	22%	11%	14%	
	No age given			3%							3%		3%			
4%	President															
	45 or less						9%				9%	45		9%		
	Over 45		18%			28%			18%	18%	82%	52	18%	36%	28%	
	No age given		9%								9%			9%		

though a significant minority, 27%, earn more than $45,000 per year. Assistant managers never earn above $60,000 per year.

Predictably, assistant managers tend to be young. Only 9% are more than 45 years old. Importantly, the 9% over 45 invariably earn less than $45,000 per year and none completed college. The younger assistant managers frequently earn more money than their older colleagues and usually are better educated, with a large minority of 19% reporting they have completed a post-graduate degree.

Further up the corporate ladder, the situation becomes increasingly complex. The next category, called managers, earns between something under $45,000 per year to something over $60,000 per year. Nearly half are over 45 years of age. Another 53% are under 45.

Of the younger managers, 19% report an annual salary of less than $45,000, 26% earn between $45,000 and $60,000 per year, and 8% earn more than $60,000 per year. Of the managers over 45 years of age, 11% earn less than $45,000 per year, 26% earn between $45,000 and $60,000, and 4% earn more than $60,000.

Managers are more likely to break into the highest pay category if they are less than 45, but there are exceptions to that general rule.

The next most senior category in the survey is staff managers. Exactly half of all staff managers are older than 45. The salary range is identical to the range for managers, but fewer staff managers—14%, all of whom are younger than 45—earn less than $45,000 annually.

No less than 36% of the staff managers who responded earn more than $60,000 per year, and 29% are more than 45 years old. A whopping 28% of all staff managers have earned post-graduate degrees and 57% have taken home college degrees.

When managers at the Top 18

Continued on page 38

Independents get to the third rung on the management ladder, education starts to become a crucial determinant of their future.

The salary range for district managers is the same as for managers and staff managers. Analyzed as a function of age, district managers are evenly divided. Half are over 45 and half are under 45.

Only 14% report an annual salary of more than $60,000 and, again, half of that elite group is over and half is under 45 years of age. The largest group of the over-45 district managers, 29%, report annual salaries below $45,000. The largest component of the under-45 group, 36%, report annual salaries between $45,000 and $60,000.

These figures strongly suggest that district managers who are not tabbed as "comers" when they hit 45 years of age are likely to be surpassed by younger managers in the race for salary increases and promotions.

Movin' On Up

Division managers, the next most senior group, are also evenly divided between executives who have turned 45 and executives who haven't celebrated that particular birthday. But in this category, it is the older managers who do better on payday.

Curiously, the largest single group of division managers, 37%, reports it is under 45 and earns less than $45,000 per year. Only 13% of division managers report they are both over 45 years old and earn less than $45,000 per year. Another 13% report they are older than 45 and earn more than $80,000 per year.

Exactly half of all division managers earn more than $60,000 per year. No division manager below the age of 45 earns more than $80,000 per year.

A surprising number of division managers, 51%, did not earn a college degree, with older managers more likely to be among that group.

The salaries for regional and state managers resemble the salaries for division managers. For instance, 12% of regional and state managers earn more than $80,000, a significant minority earns less than $45,000, and most earn between $45,000 and $80,000 per year.

Managers in this category are

FIGURE 2 SMALL-INDEPENDENT PRESIDENTS (67 RESPONDENTS)

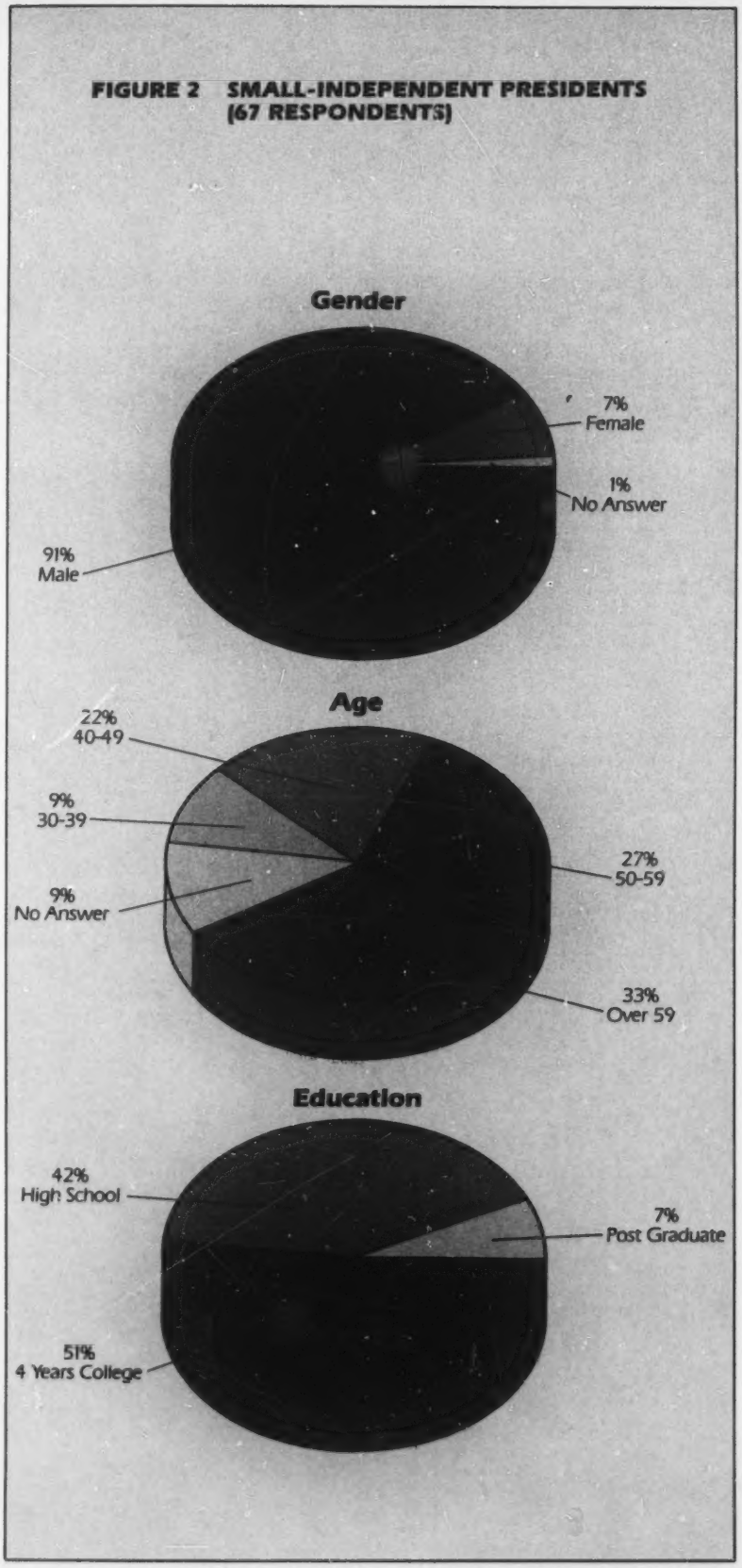

TABLE 2 SMALL-INDEPENDENT PRESIDENTS: AGE, EDUCATION AND SALARIES

% Total Sample (Base: 67)		Salary Distribution								Education			
		-$45K	+$45K	+$60K	+$80K	+$95K	+$110K	+$125K	+$140K	+$155K	High School	College	Post Grad	No Ans.
	Presidents													
19%	Under 45		7%	6%	3%	2%	1%				3%	12%	4%	
23%	45-55 years	2%	9%	6%	3%					3%	11%	11%		1%
30%	56-65 years	7%	6%	9%	4%	2%				2%	19%	11%		
19%	Over 65	7%		2%	6%	2%	1%	2%			9%	10%		
9%	No report		4%	3%	1%							9%		
	Total	16%	26%	26%	17%	6%	2%	2%		5%	42%	53%	4%	1%

more likely to be older than 45 and most have college degrees.

The Gold

The next category consists of managers who are directors or assistant vice presidents. The zeros start to make impressive strings at this point.

Most directors and assistant vice presidents are more than 45 years of age. A healthy 22% earn more than $80,000 per year, with 15% reporting an annual salary between $95,000 and $110,000 and another 1% enjoying an annual salary between $110,000 and $125,000.

In terms of age, directors and assistant vice presidents are nearly indistinguishable from regional and state managers. But 33% of the directors and assistant VPs have earned post-graduate degrees and 45% have college degrees.

Vice presidents, the next most senior group, have a better chance to earn large salaries. Oddly enough, 8% report salaries below $45,000. Most do much better. In fact, 64% earn more than $80,000 per year.

The range among vice presidential salaries is fascinating. For instance, 19% earn annual salaries between $110,000 and $125,000, 3% earn between $125,000 and $140,000, another 3% earn $140,000 and $155,000, and an upper crust of 9% earns more than $155,000 per year.

Half of the vice presidents are younger than 45. The young vice presidents are better educated than the older VPs. Twenty-two percent of the VPs have college degrees, half of them being younger and half older than 45. But 31% of the VPs younger than 45 have post-graduate degrees compared to 14% for VPs who already have turned 45.

The salary distribution for presidents of the Top 18 Independents is irregular. One message, however, comes through loud and clear: The top is where the money is.

A full 27% of the Top 18 presidents who responded earn between $45,000 and $60,000 annually. Another 28% enjoy annual salaries between $60,000 and $80,000. Nine percent carry annual paychecks between $110,000 and $125,000 back to wherever home is.

Oddly enough, that 9% segment uniformly is younger than 45, and includes the only Top 18 presidents who are younger than 45. One group of 18% earns annual salaries of $140,000 to $155,000 and another 18% earn more than $155,000.

The Top 18 presidential group is extremely well-educated. A full 28%, all of whom are over 45 years of age, have earned post-graduate degrees. The majority, 54% to be precise, of the Top 18 presidential group has earned college degrees. A minority of 18%, all of them over 46 years old, has earned high school degrees.

Small Telco Leaders

The distribution of salaries among the presidents of small telcos is very wide. No less than 16% earn less than $45,000 in annual salary. On the other extreme, 5% earn more than $155,000 in annual salary.

Most are between those poles. A majority of 52% earn an annual salary between $80,000 and $95,000.

A group of 6% earns an annual salary between $95,000 and $110,000, another 2% earn between $110,000 and $125,000, and another 2% earn between $125,000 and $140,000.

Few small-telco presidents have completed post-graduate work. Only 4% have post-graduate degrees.

But a majority, 53%, have college degrees. A third group, 42%, make up the significant minority who have high school degrees.

Most small telco presidents are middle-aged. A full 53% are between 45 and 64 years of age. The spectrum at either end is perfectly balanced since 19% are less than 45 and 19% are more than 65. Nine percent of small telco presidential respondents declined to disclose their age.

Comparing the Top 18 managers with the presidents of the small telcos is interesting.

The two industry segments are identical on the gender issue. Exactly 7% of Top 18 managers and small telco presidents alike are female. Another 1% from each group declined to identify themselves by sex.

Not surprisingly, small telco presidents are older than the managers of the Top 18. Only 4% of the managers of the Top 18 are over 59 years of age, while 33% of the small telco presidents have celebrated their 59th birthday. Nineteen percent of the Top 18 respondents were 30 to 39 years of age, while only 9% of the small-telco presidents fell into that age bracket. The majority of both groups are in their productive, high-earning middle years. The parallels between the educational backgrounds is illustrative of how much the industry segments have in common and where they are likely to diverge.

Forty-two percent of the small-telco presidents hold high school diplomas, slightly more than the 36% of Top 18 managers who report an identical educational level. Among Top 18 managers, 38% have college degrees, while slightly more small-telco presidents, 51%, have their sheepskins.

The big difference between the

Continued on page 42

two groups is apparent when the post-graduate degrees are compared. As noted, 7% of small-telco presidents have post-graduate degrees, compared with 24% of the Top 18 respondents.

Obviously, both the large and small wings of the Independent industry are willing and able to pay large annual salaries for talented managers. Among the Top 18, those talented managers are found distributed roughly equally above and below the 45-years-of-age dividing line. But the younger managers are more likely to be better educated and usually more likely to enjoy annual salaries at the upper end of the spectrum for their particular classification than their older colleagues.

The salary spectrum opens up at the senior levels. And, of course, it is at the top that the truly magnificent annual salaries are found. Small-telco presidents earn very healthy salaries, though again the salary spectrum is broad.

One major difference between the senior managers of the Top 18 and the small-telco presidents is the better education enjoyed by the former, particularly when post-graduate work is used as the measuring stick.

Another clear message carried by this survey is that there are precious few women in the managerial ranks of the Independent industry, though the smaller, more rural companies are no different in this respect than larger, more urban companies.

Competition is likely to intensify sharply in the next several years. It will be interesting to see how it affects overall salary levels, the concentration of rewards at senior levels of organizations, the function of education as a spur to career advancement and the role women play on competitive management teams.

For now, Independent industry managers can rest assured they are in an industry which pays handsome salaries to corporate achievers.

Entertainers like Bill Cosby and Madonna reportedly earn many millions of dollars each year.

Independent industry managers generally aren't as funny as Cosby or as spectacular as Madonna, and they don't bring home as much money either. But most Independent managers are doing well, thanks, and have solid reasons to think they will earn more in the future if both the company and the individuals achieve their goals. □

Managers Review Priorities

CUSTOMER SERVICE, return to shareholders and responsibility to company employees are the top priorities of managers in the Independent industry.

As part of an exclusive survey of management salaries in the Independent industry, *Telephony's* Market Research Department asked respondents to identify which "aspect of your current job responsibilities is most important to you?" All respondents are anonymous. Anonymity is used to encourage candid responses, and candid they were.

The president of a small Independent in the Northeast provides the most comprehensive reply. Her most important responsibilities are "keeping up with FCC, congressional and state PSC rulings, providing the best new equipment for our expanding service area and planning how we can finance it. Keeping our employees alert, well-trained and eager to be part of a *quality* company.

"We like our business and think we are an asset to the area," she concluded.

Service

A vice president-operations with a Top 18 Independent in the Midwest is succinct in identifying his priorities: "service quality, employee development and shareholder return."

An executive vice president with a Top 18 company from the West emphasizes the dynamism of his job. This young executive said his top priority is "managing the change which swept through our industry; that is, the technological changes, the financial changes and the resulting resource adjustments."

A VP of operations in the plant department of a Midwestern Top 18 Independent emphasizes employees. His top priority is "being able to help employees develop and progress into more responsible positions and enjoy their accompiishments."

Many respondents identify priorities which are clearly a function of their specialties or specific responsibilities.

For instance, a young VP of customer relations with a Top 18 Independent in the West says her top priority is "anticipating areas that will cause problems for customers and eliminating them *before* they can do damage."

A VP of engineering with 25 years of service who is working with a Top 18 company in the Midwest says "people development, new technology, the integration of voice and data" are his main priorities.

A young VP of technical development for a Midwestern Top 18 company reports that "coordination of technical development activities between multiple business units (including non-telephone)" is his focus.

Change

The president of a small Independent in the Midwest notes that he has twin goals: "planning for the very uncertain future of a small Independent telco and trying to maintain universal service."

The president of another small Midwestern telco likewise cites two top goals: "providing a positive rate of return to my stockholders" and providing the "best possible service to our customers."

One small-telco president from the Midwest declines to cite a specific priority due to his manifold responsibilities. "As owner-manager of a tiny telco with only two other employees," he writes, "I work in all aspects."

Another small-telco president from the West makes the same point in fewer words. His top priorities are "impossible to determinel" he writes emphatically.

An assistant manager of CO equipment engineering with a Top 18 company in the West writes that his focus is "developing each engineer to be open-minded, to explore novel and creative ways to solve problems."

But not everybody looks only at a job description when it comes to setting priorities. The president of a Top 18 company in the West believes his main priority is "to slow down this senseless and wasteful drive to make our industry more competitive."

This blunt executive adds a playful parenthetical note: "Guess who?"

That is the problem with anonymous surveys. One can only guess.